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SUBJECT: NATIONALIZATION AS GRAND POLITICAL GESTURE

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11. (SBU) Summary: By announcing the nationalization of Bolivia's hydrocarbons sector, President Evo Morales has again proven himself a master of the grand political gesture.

Timed to coincide with the kick off the campaign for the Constituent Assembly and accompanied by the symbolic taking of gas fields by Bolivian armed forces, the announcement has been enthusiastically received by a vast majority of the population and is likely to boost the government's sagging, though still high, popular support. Morales did not announce the expected labor day-focused increase to the minimum wage or derogation of the infamous privatization decree 21060, instead calling nationalization the "best gift of all" to Bolivian workers. The nationalization announcement was a quintessentially populist gesture that has played extremely well in Bolivia's political theater, but its longer-term economic consequences, particularly on the investment climate, appear grave. End Comment.

12. (SBU) Whatever else it brings (see septel), President Evo Morales May 1 announcement of an executive decree nationalizing the country's hydrocarbons resources was a grand political gesture performed by a populist political master. The mood in Plaza Murillo in downtown La Paz adjacent to the national palace, as more than ten thousand mostly mixed race and indigenous Bolivians waited expectantly for their president to speak, was festive. The band played revolutionary songs, firecrackers exploded overhead, and many people waved two-sided flags - one side Bolivian, the other Cuban. In his initial announcement, made just after noon, President Morales' voice was piped in from the department of Tarija -- where he spoke, appropriately, from one of Bolivia's largest gas fields -- while Vice President Garcia Linera, members of the cabinet and other party luminaries waved grandly from the palace balconies to the crowd below. In the late evening, Morales appeared in person in plaza

Murillo to give a second speech to the still-waiting masses, this time highlighting an anti-imperialist (and indirectly anti-American) theme and pledging that the nationalization of the mining and forestry sector would follow.

13. (SBU) The atmosphere throughout the day was manifestly one of a political campaign getting underway -- May 1 also marked the initiation of the 60-day campaign period for the scheduled July 2 election of representatives to the Constituent Assembly -- and the government party got off to a great start. Popular reaction to the announcement has been overwhelmingly positive. Some observers have described a feeling of widespread "euphoria" that the government has followed through with a key campaign promise in a manner that resonates deeply with most Bolivians. One opposition Senator described it as "explosive," particularly the media coup associated with the symbolic taking of gas fields by Bolivia's armed forces (septel). Others have commented on the brilliance of its organization and execution, coming as a kind of May surprise and followed up by a barrage of carefully timed and packaged publicity on national radio and television. Almost everyone believes the announcement will help shore up the Government's popular support, which had sagged from 80% to 62% in a poll released in late April, particularly among its social sector bases.

14. (SBU) Contrary to widespread expectations, Morales did not announce any labor-specific measures on the International Day of the Worker. Many media and other observers believed he would take the opportunity to raise the minimum wage or to nullify the infamous privatization decree 21060 -- particularly Article 55, which allows employers to hire and fire workers freely. Instead, Morales let nationalization do the political trick, calling his announced decree the "best gift of all" to Bolivian workers. All told, the government's move successfully outflanked a planned march by the splintering Bolivian Worker's Central (COB), and appeared to take the wind out of the sails of any potential radical

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social sector challenge. Sounding like a scratchy broken record, COB executive secretary Jaime Solares criticized Morales for failing to announce "nationalization without indemnification" and for refusing to raise the minimum wage. Some news reports suggest that Morales will announce the minimum wage hike today (May 2), but many observers believe he may save that ruse until the political need arises again down the line.

Comment: Short-term Gain for Long-term Loss

15. (SBU) Morales' nationalization decree was a quintessentially populist gesture made for Bolivia's surrealistic political theater, where it has played extremely well. It was the perfect accompaniment for the bells, whistles and balloons of yet another campaign season, and has surely put the government's disintegrating opposition back on its heels. By contrast, the longer-term economic consequences of the action, particularly for the investment climate, could be grave. In that sense, Morales and his advisors have again demonstrated a willingness to trade off sound economic policy for short-term political gain.

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